

TOWN OF MERRYVILLE  
ANNUAL FINANCIAL STATEMENTS  
WITH AUDITOR'S REPORT  
JUNE 30, 2002

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John A. Windham, CPA

## INDEPENDENT AUDITOR'S REPORT

The Honorable Foy W. Rhodes, Mayor  
and Members of the Board of Aldermen  
Town of Merryville, Louisiana

I have audited the accompanying general purpose financial statements of the Town of Merryville, Louisiana, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Merryville, Louisiana's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Merryville, Louisiana, as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund type for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 13, 2002 on my consideration of the Town of Merryville, Louisiana's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations,

The Honorable Foy W. Rhodes, Mayor  
and Members of the Board of Aldermen  
Town of Merryville, Louisiana  
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contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Merryville, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

DeRidder, Louisiana  
September 13, 2002

**GENERAL PURPOSE FINANCIAL STATEMENTS  
(COMBINED STATEMENTS - OVERVIEW)**

TOWN OF MERRYVILLE

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 2002

<u>ASSETS</u>	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Cash	\$ 65,328	\$ 17,725
Receivables:		
Accounts	-	-
Taxes	5,316	22,056
Due from other governmental units	4,266	-
Restricted assets:		
Cash	-	-
Land	-	-
Buildings and improvements	-	-
Equipment	-	-
Utility plant and equipment	-	-
Accumulated depreciation	-	-
Total assets	<u>\$ 74,910</u>	<u>\$ 39,781</u>
 <u>LIABILITIES</u>		
Accounts payable	\$ 11,748	\$ 765
Payroll taxes payable	735	-
Payable from restricted assets:		
Customer deposits	-	-
Current portion of revenue bonds	-	-
Accrued interest on revenue bonds	-	-
Revenue bonds payable	-	-
Total liabilities	<u>\$ 12,483</u>	<u>\$ 765</u>

## Statement A

Proprietary Fund Type	Account Group General Fixed Assets	Totals (Memorandum Only)
Enterprise		
\$ 12,275	\$ -	\$ 95,328
16,382	-	16,382
-	-	27,372
-	-	4,266
93,440	-	93,440
-	2,600	2,600
-	351,942	351,942
-	164,572	164,572
3,885,514	-	3,885,514
(1,966,435)	-	(1,966,435)
<u>\$ 2,041,176</u>	<u>\$ 519,114</u>	<u>\$ 2,674,981</u>
\$ 4,933	\$ -	\$ 17,446
522	-	1,257
12,282	-	12,282
14,000	-	14,000
16,705	-	16,705
362,375	-	362,375
<u>\$ 410,817</u>	<u>\$ -</u>	<u>\$ 424,065</u>

(Continued)

The accompanying notes are an integral part of this statement.

TOWN OF MERRYVILLE

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 2002

<u>FUND EQUITY</u>	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Contributed capital	\$ -	\$ -
Investments in general fixed assets	-	-
Retained earnings:		
Reserved	-	-
Unreserved	-	-
Fund balances:		
Undesignated	<u>62,427</u>	<u>39,016</u>
Total fund equity	<u>\$ 62,427</u>	<u>\$ 39,016</u>
Total liabilities and fund equity	<u>\$ 74,910</u>	<u>\$ 39,781</u>

## Statement A

<u>Proprietary Fund Type</u>	<u>Account Groups General Fixed Assets</u>	<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>		
\$ 3,052,199	\$ ~	\$ 3,052,199
-	519,114	519,114
50,453	~	50,453
(1,472,293)	-	(1,472,293)
~	~	101,443
<u>\$ 1,630,359</u>	<u>\$ 519,114</u>	<u>\$ 2,250,916</u>
<u>\$ 2,041,176</u>	<u>\$ 519,114</u>	<u>\$ 2,674,981</u>
		(Concluded)

The accompanying notes are an integral part of this statement.

## TOWN OF MERRYVILLE

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

For the Fiscal Year Ended June 30, 2002

	Governmental		Totals (Memorandum Only)
	General	Special Revenue	
<b>Revenues:</b>			
Taxes	\$ 49,684	\$ 217,149	\$ 266,833
Licenses and permits	538	45,886	46,424
Intergovernmental	54,755	-	54,755
Fees, charges, and commissions for services	12,450	-	12,450
Fines	54,418	-	54,418
Use of money and property	4,133	-	4,133
Miscellaneous	2,561	-	2,561
Total revenues	<u>\$ 178,539</u>	<u>\$ 263,035</u>	<u>\$ 441,574</u>
<b>Expenditures:</b>			
General government	\$ 197,569	\$ 4,999	\$ 202,568
Public safety	138,025	-	138,025
Public works	95,560	-	95,560
Total expenditures	<u>\$ 431,154</u>	<u>\$ 4,999</u>	<u>\$ 436,153</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (252,615)</u>	<u>\$ 258,036</u>	<u>\$ 5,421</u>
<b>Other financing sources (uses):</b>			
Transfers in	\$ 189,724	\$ -	\$ 189,724
Transfers out	-	(260,275)	(260,275)
Total other financing sources (uses)	<u>\$ 189,724</u>	<u>\$ (260,275)</u>	<u>\$ (70,551)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (62,891)</u>	<u>\$ (2,239)</u>	<u>\$ (65,130)</u>
Fund balances at beginning of year	<u>125,318</u>	<u>41,255</u>	<u>166,573</u>
Fund balances at end of year	<u>\$ 62,427</u>	<u>\$ 39,016</u>	<u>\$ 101,443</u>

The accompanying notes are an integral part of this statement.

TOWN OF MERRYVILLE

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
 GENERAL AND SPECIAL REVENUE FUNDS - GOVERNMENTAL FUND TYPES  
 For the Fiscal Year Ended June 30, 2002

	General Fund		
	Budget	Actual	Variance - Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$ 52,000	\$ 49,684	\$ (2,316)
Licenses and permits	525	538	13
Intergovernmental	49,981	54,755	4,774
Fees, charges, and commissions for services	12,705	12,450	(255)
Fines	51,000	54,418	3,418
Use of money and property	4,700	4,133	(567)
Miscellaneous	2,250	2,561	311
Total revenues	\$ 173,161	\$ 178,539	\$ 5,378
<b>Expenditures:</b>			
General government	\$ 194,758	\$ 197,569	\$ (2,811)
Public safety	125,436	138,025	(12,589)
Public works	89,760	95,560	(5,800)
Total expenditures	\$ 409,954	\$ 431,154	\$ (21,200)
Excess (deficiency) of revenue over expenditures	\$ (236,793)	\$ (252,615)	\$ (15,822)
<b>Other financing sources (uses):</b>			
Transfers in	\$ 198,000	\$ 189,724	\$ (8,276)
Transfers out	-	-	-
Total other financing sources (uses)	\$ 198,000	\$ 189,724	\$ (8,276)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ (38,793)	\$ (62,891)	\$ (24,098)
Fund balances at beginning of year	125,318	125,318	-
Fund balances at end of year	\$ 86,525	\$ 62,427	\$ (24,098)

Special Revenue Funds		
Budget	Actual	Variance - Favorable (Unfavorable)
\$ 228,526	\$ 217,149	\$ (11,377)
39,775	45,886	6,111
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ 268,301</u>	<u>\$ 263,035</u>	<u>\$ (5,266)</u>
\$ 4,911	\$ 4,999	\$ (88)
-	-	-
-	-	-
<u>\$ 4,911</u>	<u>\$ 4,999</u>	<u>\$ (88)</u>
<u>\$ 263,390</u>	<u>\$ 258,036</u>	<u>\$ (5,354)</u>
\$ -	\$ -	\$ -
(263,205)	(260,275)	2,930
<u>\$ (263,205)</u>	<u>\$ (260,275)</u>	<u>\$ 2,930</u>
\$ 185	\$ (2,239)	\$ (2,424)
41,255	41,255	-
<u>\$ 41,440</u>	<u>\$ 39,016</u>	<u>\$ (2,424)</u>

The accompanying notes are an integral part of this statement.

## TOWN OF MERRYVILLE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS - PROPRIETARY FUND TYPE

For the Fiscal Year Ended June 30, 2002

	<u>Proprietary Fund Type</u>
Operating revenues:	
Charges for services	<u>\$ 183,676</u>
Operating expenses:	
Personal services	\$ 81,937
Supplies	29,477
Other services and charges	83,696
Heat, light and power	21,342
Depreciation	97,617
Total operating expenses	<u>\$ 314,069</u>
Operating loss	\$ (130,393)
Nonoperating revenues (expenses):	
Interest income	\$ 1,019
Transfers in	70,550
Interest expense	<u>(18,892)</u>
Total nonoperating revenues (expenses)	<u>\$ 52,677</u>
Net income (loss)	\$ (77,716)
Retained earnings (deficit), beginning of year	<u>(1,344,124)</u>
Retained earnings (deficit), end of year	<u>\$ (1,421,840)</u>

The accompanying notes are an integral part of this statement.

TOWN OF MERRYVILLE  
 STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND TYPE  
 For the Fiscal Year Ended June 30, 2002

	<u>Proprietary Fund Type</u>
Cash flows from operating activities:	
Cash received from customers	\$ 184,730
Cash payments to suppliers for goods and services	(140,842)
Cash payments for employee services and employee related fringe benefits	(81,838)
Net cash provided by operating activities	<u>\$ (37,950)</u>
 Cash flows from noncapital financing activities:	
Transfers from other funds	<u>\$ 70,550</u>
Net cash provided for noncapital financing activities	<u>\$ 70,550</u>
 Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (62,180)
Principal paid on bond maturities	(13,001)
Interest paid on bond maturities	(19,469)
Contributed capital received	-
Net cash used for capital and related financing activities	<u>\$ (94,650)</u>
 Cash flows from investing activities:	
Interest on cash management activities	<u>\$ 1,019</u>
 Net decrease in cash and cash equivalents	\$ (61,031)
 Cash and cash equivalents, beginning of year	<u>166,746</u>
 Cash and cash equivalents, end of year	<u>\$ 105,715</u>

(Continued)

The accompanying notes are an integral part of this statement.

TOWN OF MERRYVILLE  
 STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND TYPE  
 For the Fiscal Year Ended June 30, 2002

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED  
 BY OPERATING ACTIVITIES

Operating Loss	\$ (130,393)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	\$ 97,617
Increase in accounts receivable	(259)
Increase in accounts payable	416
Increase in payroll taxes payable	99
Decrease in due from other funds	3,848
Increase in customer deposits	1,313
Decrease in due to other funds	(23,073)
Decrease in prepaid insurance	<u>12,482</u>
Total adjustments	<u>\$ 92,443</u>
Net cash provided by operating activities	<u>\$ (37,950)</u>

(Concluded)

The accompanying notes are an integral part of this statement.

TOWN OF MERRYVILLE  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2002

**INTRODUCTION**

The Town of Merryville was incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town of Merryville conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The Town maintains various funds that provide services and benefits to its citizens including repairs and maintenance of approximately 15 miles of roads and streets, and water, sewer, and garbage collection services to approximately 600 residents.

The Town is located within Beauregard Parish in the southwestern part of the State of Louisiana and is comprised of approximately 1,200 residents. The governing board is composed of five elected aldermen that are compensated for regular and special board meetings. There are approximately six employees who maintain the water and sewer systems and handle the clerical work for the Town. The police department consists of an elected chief of police and approximately four full time patrolman.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements of the Town of Merryville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B. REPORTING ENTITY**

As the municipal governing authority for reporting purposes, the Town of Merryville is considered a separate financial reporting entity and is also the primary government. The Town of Merryville does not have (a) organizations for which the primary government is financially accountable, and (b) other organizations for which the nature and significance

## TOWN OF MERRYVILLE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete; therefore, the Town is also the financial reporting entity.

#### **C. FUND ACCOUNTING**

The municipality uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the municipality are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

##### Governmental Funds

Governmental funds are used to account for all or most of the municipality's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long term debt. Governmental funds include:

1. General fund - the general operating fund of the municipality and accounts for all financial resources, except those required to be accounted for in other funds.
2. Special revenue funds - accounts for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
3. Capital projects fund - accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

## TOWN OF MERRYVILLE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### Proprietary Fund

The proprietary fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The proprietary fund differs from the governmental funds in that its focus is on income measurement, which together with the maintenance of equity is an important financial indicator. The proprietary fund includes:

- i. Enterprise fund - accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

#### **D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of the funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

#### Revenues

Revenues are recognized when they become measurable and available as net current assets. Taxpayer assessed income and gross receipts are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

## TOWN OF MERRYVILLE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt is recognized when due.

#### Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (and any other financing source/use) are accounted for as other financing sources (uses).

The proprietary fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The proprietary fund uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

#### **E. BUDGET**

The municipality uses the following budget practices:

1. The Town Clerk and Mayor prepare a proposed budget and submit same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after the publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.

## TOWN OF MERRYVILLE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. The budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.

#### **F. ENCUMBRANCES**

The Town of Merryville does not use encumbrance accounting.

#### **G. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and or any other state of the United States, or under the laws of the United States.

#### **H. INVESTMENTS**

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the municipality's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The Town of Merryville, Louisiana had no investments as of June 30, 2002.

#### **I. SHORT-TERM INTERFUND RECEIVABLE/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as

## TOWN OF MERRYVILLE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

#### **J. INVENTORIES**

The Town of Merryville does not maintain an inventory. Purchases are made as needed for repair and maintenance and replacement of existing equipment.

#### **K. PREPAID ITEMS**

Prepaid amounts consist of insurance policy premiums paid in advance.

#### **L. RESTRICTED ASSETS**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**Bond reserve fund** - The Utility Revenue Bonds dated August 10, 1978 require that a reserve fund be established. Money in these accounts is used to pay the maturing principal and interest on the bonds.

**Depreciation and contingency fund** - The Utility Revenue Bonds dated August 10, 1978 require that a depreciation and contingency fund be established. Money in this account is used for extensions, additions, improvements and replacements necessary to properly operate the system.

Cash collected from utility fund customers as deposits against future utility bills are classified as restricted assets and are held by the town in a custodial cash account entitled "customer deposits".

#### **M. FIXED ASSETS**

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are reported in the general fixed assets account group. Public domain or infrastructures are capitalized. Interest costs incurred during construction are not capitalized.

## TOWN OF MERRYVILLE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Fixed assets used in the proprietary fund operations are included on the balance sheet of the fund. Depreciation of all exhaustible fixed assets used by proprietary fund operations is charged as an expense against operations. Depreciation is computed using the straight line method and useful lives as follows:

Utility Fund -	
Water system	40 years
Wells	15-40 years
Storage tanks	35 years
Purification plant	10-35 years
Lines and meters	10-35 years
Autos and trucks	10 years
Other equipment	3-15 years
Sewer plant	40 years
Pump stations	40 years
Lines	40 years
Buildings	40 years
Intangibles	40 years

#### **N. COMPENSATED ABSENCES**

The Town of Merryville does not provide for the accumulation and vesting of leave.

#### **O. LONG-TERM OBLIGATIONS**

For the primary government, long-term obligations expected to be financed from governmental funds are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

#### **P. FUND EQUITY**

##### Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

## TOWN OF MERRYVILLE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### Reserves

Reserves represent those portions of fund equity not appropriated for expenditure or legally segregated for a specific future use.

#### Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

#### **Q. INTERFUND TRANSACTIONS**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers of the primary government are reported as operating transfers.

#### **R. SALES TAX**

The Town of Merryville receives a three-percent sales tax, which is dedicated to the maintenance of the sewer system (1%), repair and maintenance of streets and roadways (1%), and the collection and disposal of solid waste (1%).

#### **S. TOTAL COLUMNS ON COMBINED STATEMENTS**

Total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**T. FASB PRONOUNCEMENTS**

The Town of Merryville has applied all applicable GASB (Government Accounting Standards Board) pronouncements as well as FASB (Financial Accounting Standards Board) statements and interpretations, APB (Accounting Principles Board) opinions and (ARB's) Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Also, applied are all FASB Statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

**2. FUND DEFICITS**

The following individual fund had a deficit in its unreserved retained earnings at June 30, 2002:

<u>Fund</u>	<u>Deficit Amount</u>
Enterprise Fund	\$ 1,472,293

The retained earnings deficit of the enterprise fund arises because of the application of generally accepted accounting principles of financial reporting for such funds. Depreciation and amortization, non-cash expenses, contribute to the deficit. Even though the retained earnings deficit exists, the enterprise fund had an overall fund equity of \$1,630,359 at June 30, 2002. The Board of Aldermen will raise user fees to reduce the retained earnings deficit, when needed.

**3. EXPENDITURES/EXPENSES - ACTUAL AND BUDGET**

The following individual funds have actual expenditures over budgeted expenditures for the year ended June 30, 2002.

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General fund	\$ 409,954	\$ 431,954	\$ (21,200)
Sales tax fund	4,911	4,999	(88)
Total	\$ 414,865	\$ 436,865	\$ (21,288)

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**4. LEVIED TAXES**

Taxes are levied on January 1, billed between November 1 and November 15, and payable by December 31. The lien date for unpaid taxes is August 15 of the following year. The tax collector bills and collects the Town's taxes. Town property tax revenues are recognized when billed to the extent that they result in current receivables.

The following is a summary of authorized and levied ad valorem taxes for the year:

	Authorized Millage	Levied Millage	Expiration Date
Townwide taxes:			<b>Renewed annually</b>
General corporate tax	7.58	7.58	

**5. CASH AND CASH EQUIVALENTS**

The following is a summary of cash and cash equivalents at June 30, 2002:

Demand deposits	\$	95,127
Interest-bearing demand deposits		93,441
Petty Cash		200
Total	\$	188,768

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2002, the primary government has \$ 196,264 in deposits (collected bank balances). These deposits are secured from risk by \$ 196,264 of federal deposit insurance.

State statutes relating to cash and cash equivalents are located at note 1G. "Cash and Cash Equivalents".

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. RECEIVABLES

The following is a summary of receivables for June 30, 2002:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>
Taxes:			
Franchise taxes	\$ 5,316	\$ -	\$ -
Sales & use taxes	-	22,056	-
Intergovernmental:			
Alcohol taxes	1,347	-	-
State mowing contract	2,919	-	-
Utility building:			
Accounts	<u>-</u>	<u>-</u>	<u>16,382</u>
Total	<u>\$ 9,582</u>	<u>\$ 22,056</u>	<u>\$ 16,382</u>

As of June 30, 2002 the Town of Merryville had accounts receivable of \$ 16,382. The Town has elected to write off bad debts as they are deemed to be uncollectible as determined by management. Bad debts are shown as an adjustment to charges for services in the enterprise fund. Due to the immaterial amount of uncollectible accounts, an allowance for doubtful accounts has not been established.

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**7. FIXED ASSETS**

The changes in general fixed assets follows:

	Balance <u>June 30, 2001</u>	Additions	Deductions	Balance <u>June 30, 2002</u>
Land	\$ 2,600	\$ -	\$ -	\$ 2,600
Buildings	105,939	35,687	-	141,626
Improvements	210,316	-	-	210,316
Equipment	<u>149,185</u>	<u>15,387</u>	<u>-</u>	<u>164,572</u>
Total	<u>\$ 468,040</u>	<u>\$ 51,074</u>	<u>\$ -</u>	<u>\$ 519,114</u>

A summary of proprietary property, plant and equipment follows:

Water & sewer utility plant	\$ 3,878,195
Construction in progress	7,319
Less:	
Accumulated depreciation	<u>(1,966,435)</u>
Total	<u>\$ 1,919,079</u>

**8. ACCOUNTS AND OTHER PAYABLES**

The following is a summary of payables at June 30, 2002:

<u>Class of Payable</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Proprietary Fund</u>
Accounts	\$ 11,748	\$ 765	\$ 4,933
Payroll taxes payable	<u>735</u>	<u>-</u>	<u>522</u>
Total	<u>\$ 12,483</u>	<u>\$ 765</u>	<u>\$ 5,455</u>

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. LEASES

The Town of Merryville had no leases as of June 30, 2002.

10. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2002:

	<u>Proprietary Fund</u>
	Bonded
	<u>Debt</u>
Long-term obligations payable at June 30, 2001	\$ 389,375
Additions	-
Principal payments	<u>(13,000)</u>
Long-term obligations payable at June 30, 2002	<u>\$ 376,375</u>

Revenue bonds are comprised of the following individual issue:

Utilities Revenue Refunding Bonds, Series 1978	
\$550,000 Utilities Revenue Refunding Bonds dated 8-10-78, due in average annual installments of \$31,000 through 8-10-18, interest at 5.00%. Proceeds to be used for constructing and acquiring extensions and improvements to the sewerage systems	\$ 376,375

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The annual cash flows required to service the debt as of June 30, 2002, including interest payments of \$ 190,673, are as follows:

June 30,	Proprietary Fund Utilities Revenue Bonds
2003	\$ 32,819
2004	33,119
2005	33,368
2006	33,569
2007	33,719
Thereafter	400,454
Total	\$ 567,048

**11. CHANGES IN CONTRIBUTED CAPITAL**

The following is a summary of changes in contributed capital:

	Enterprise Fund
Balance at June 30, 2001	\$ 3,052,199
Additions	-
Deductions	-
Balance at June 30, 2002	\$ 3,052,199

TOWN OF MERRYVILLE

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

**12. RESERVED RETAINED EARNINGS**

The Propriety Fund - The Utility Fund had reserved retained earnings available as follows:

	<u>Utility Fund</u>
Restricted assets:	
Reserve and contingency accounts	\$ 79,952
Customers' deposits	<u>13,488</u>
Total	<u>\$ 93,440</u>
Less:	
Liabilities payable from restricted assets:	
Customers deposits	\$ (12,282)
Current portion of bond	(14,000)
Accrued interest on bond	<u>(16,705)</u>
Total	<u>\$ (42,987)</u>
Reserved retained earnings	<u>\$ 50,453</u>

**SUPPLEMENTAL INFORMATION SCHEDULES**

GENERAL FUND

To account for resources traditionally associated with governments, which are not required to be accounted for in another fund.

TOWN OF MERRYVILLE  
GENERAL FUND

BALANCE SHEET

June 30, 2002

<u>ASSETS</u>	<u>2002</u>
Cash	\$ 65,328
Receivables:	
Taxes:	
Franchise taxes	5,316
Intergovernmental:	
Alcohol taxes	1,347
State mowing contract	<u>2,919</u>
Total assets	<u>\$ 74,910</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts payable	\$ 11,748
Payroll taxes payable	<u>735</u>
Total liabilities	<u>\$ 12,483</u>
Fund balance:	
Unreserved - undesignated	<u>\$ 62,427</u>
Total liabilities and fund balance	<u>\$ 74,910</u>

TOWN OF MERRYVILLE  
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
Year Ended June 30, 2002

Revenues:	
Taxes	\$ 49,684
Licenses and permits	538
Intergovernmental	54,755
Fees, charges, and commissions for services	12,450
Fines and forfeits	54,418
Use of money and property	4,133
Other revenues	2,561
Total revenues	<u>\$ 178,539</u>
Expenditures:	
General government	\$ 197,569
Public safety	138,025
Public works	95,560
Total expenditures	<u>\$ 431,154</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (252,615)</u>
Other financing sources:	
Transfers in	<u>\$ 189,724</u>
Excess of revenues and other sources over expenditures	\$ (62,891)
Fund balance, beginning	<u>125,318</u>
Fund balance, ending	<u>\$ 62,427</u>

TOWN OF MERRYVILLE  
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2002

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Taxes	\$ 52,000	\$ 49,684	\$ (2,316)
Licenses and permits	525	538	13
Intergovernmental	49,981	54,755	4,774
Fees, charges, and commissions for services	12,705	12,450	(255)
Fines and forfeits	51,000	54,418	3,418
Use of money and property	4,700	4,133	(567)
Other revenues	2,250	2,561	311
Total revenues	<u>\$ 173,161</u>	<u>\$ 178,539</u>	<u>\$ 5,378</u>
Expenditures:			
General government	\$ 194,758	\$ 197,569	\$ (2,811)
Public safety	125,436	138,025	(12,589)
Public works	89,760	95,560	(5,800)
Total expenditures	<u>\$ 409,954</u>	<u>\$ 431,154</u>	<u>\$ (21,200)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (236,793)</u>	<u>\$ (252,615)</u>	<u>\$ (15,822)</u>
Other financing sources:			
Transfers in	<u>\$ 198,000</u>	<u>\$ 189,724</u>	<u>\$ (8,276)</u>
Excess of revenues and other sources over expenditures	\$ (38,793)	\$ (62,891)	\$ (24,098)
Fund balance, beginning	<u>125,318</u>	<u>125,318</u>	<u>-</u>
Fund balance, ending	<u>\$ 86,525</u>	<u>\$ 62,427</u>	<u>\$ (24,098)</u>

TOWN OF MERRYVILLE  
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Taxes:			
Ad valorem taxes	\$ 17,000	\$ 16,990	\$ 10
Franchise taxes	35,000	32,694	(2,306)
Total taxes	<u>\$ 52,000</u>	<u>\$ 49,684</u>	<u>\$ (2,316)</u>
Licenses and permits:			
Occupational licenses	\$ 225	\$ 225	\$ -
Building permits	300	313	13
Total licenses and permits	<u>\$ 525</u>	<u>\$ 538</u>	<u>\$ 13</u>
Intergovernmental:			
Alcohol taxes	\$ 4,000	\$ 4,181	\$ 181
State mowing contract	5,889	5,839	(50)
Federal grants	-	3,142	3,142
USPS - Building repairs	3,500	3,500	-
FEMA - Flood damage assistance	26,592	26,592	-
State grants	10,000	10,000	-
Local grants	-	1,501	1,501
Total intergovernmental	<u>\$ 49,981</u>	<u>\$ 54,755</u>	<u>\$ 4,774</u>
Fees, charges, and commissions for services:			
Garbage collection fees	\$ 11,705	\$ 11,705	\$ -
Lot clearing fees	1,000	745	(255)
Total fees, charges and commissions for services	<u>\$ 12,705</u>	<u>\$ 12,450</u>	<u>\$ (255)</u>
Fines and forfeits:			
Traffic fines	<u>\$ 51,000</u>	<u>\$ 54,418</u>	<u>\$ 3,418</u>
Use of money and property:			
Rentals	<u>\$ 4,700</u>	<u>\$ 4,133</u>	<u>\$ 567</u>
Miscellaneous:			
Miscellaneous	\$ 1,125	\$ 1,295	\$ 170
Vending machine revenue	1,125	1,266	141
Total other revenue	<u>\$ 2,250</u>	<u>\$ 2,561</u>	<u>\$ 311</u>
Total revenues	<u>\$ 173,161</u>	<u>\$ 178,539</u>	<u>\$ 5,378</u>

(Continued)

TOWN OF MERRYVILLE  
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2002

	Budget	Actual	Variance - Favorable (Unfavorable)
General government:			
Salaries and related benefits	\$ 61,515	\$ 62,595	\$ (1,080)
Supplies	6,902	8,514	(1,612)
Other services and charges	81,489	83,274	(1,785)
Heat, light and power	4,291	4,561	(270)
Capital outlay	40,561	38,625	1,936
Total general government	<u>\$ 194,758</u>	<u>\$ 197,569</u>	<u>\$ (2,811)</u>
Public safety:			
Police - Personal services	\$ 100,759	\$ 100,759	\$ -
Supplies	4,642	4,403	239
Other services and charges	20,035	27,909	(7,874)
Capital outlay	-	4,954	(4,954)
Total public safety	<u>\$ 125,436</u>	<u>\$ 138,025</u>	<u>\$ (12,589)</u>
Public works:			
Highways and streets:			
Supplies	\$ 11,500	\$ 11,641	\$ (141)
Other services and charges	9,050	7,903	1,147
Heat, light and power	15,748	15,650	98
Street maintenance	8,291	7,109	1,182
Capital outlay	-	7,495	(7,495)
Total highways and streets	<u>\$ 44,589</u>	<u>\$ 49,798</u>	<u>\$ (5,209)</u>
Waste disposal:			
Garbage collection fees	\$ 45,171	\$ 45,762	\$ (591)
Total public works	<u>\$ 89,760</u>	<u>\$ 95,560</u>	<u>\$ (5,800)</u>
Total expenditures	<u>\$ 409,954</u>	<u>\$ 431,154</u>	<u>\$ (21,200)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (236,793)</u>	<u>\$ (252,615)</u>	<u>\$ (15,822)</u>

(Continued)

TOWN OF MERRYVILLE  
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Other financing sources:			
Transfer in from sales tax fund	\$ 198,000	\$ 189,724	\$ (8,276)
Excess (deficiency) of revenues and other sources over expenditures	\$ (38,793)	\$ (62,891)	\$ (24,098)
Fund balances, beginning of year	<u>125,318</u>	<u>125,318</u>	<u>-</u>
Fund balances, end of year	<u>\$ 86,525</u>	<u>\$ 62,427</u>	<u>\$ (24,098)</u> (Concluded)

## SPECIAL REVENUE FUNDS

Sales Tax Fund - to account for the collection and distribution of the 3% sales and use tax which is to be used for repairs and maintenance of streets and roadways, collection and disposal of solid waste, and maintenance of the sewer system.

TOWN OF MERRYVILLE  
SPECIAL REVENUE FUND

## BALANCE SHEET

June 30, 2002

<u>ASSETS</u>	<u>Sales Tax Fund</u>
Cash	\$ 17,725
Sales tax receivable	<u>22,056</u>
Total assets	<u>\$ 39,781</u>
 <u>LIABILITIES AND FUND BALANCE</u>  	
Liabilities:	
Accounts payable	<u>\$ 765</u>
Fund balance:	
Unreserved - undesignated	<u>\$ 39,016</u>
Total liabilities and fund balance	<u>\$ 39,781</u>

TOWN OF MERRYVILLE  
SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

June 30, 2002

	<u>Sales Tax Fund</u>
Revenues:	
Sales taxes	\$ 217,149
Occupational license	45,886
Total revenues	<u>\$ 263,035</u>
Expenditures:	
General government	<u>\$ 4,999</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 258,036</u>
Other financing (uses):	
Transfers out	<u>\$ (260,275)</u>
Excess deficiency of revenues over expenditures and other uses	\$ (2,239)
Fund balances, beginning of year	<u>41,255</u>
Fund balances, end of year	<u>\$ 39,016</u>

TOWN OF MERRYVILLE  
SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
For the Fiscal Year Ended June 30, 2002

	Sales Tax Fund		Variance - Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Taxes:			
Sales	\$ 228,526	\$ 217,149	\$ (11,377)
Occupational license	39,775	45,886	6,111
Total revenues	<u>\$ 268,301</u>	<u>\$ 263,035</u>	<u>\$ (5,266)</u>
Expenditures:			
General government:			
Other services and charges	\$ 4,911	\$ 4,999	\$ (88)
Excess (deficiency) of revenues over expenditures	<u>\$ 263,390</u>	<u>\$ 258,036</u>	<u>\$ (5,354)</u>
Other financing (uses):			
Transfers out:			
General fund	\$ (198,000)	\$ (189,725)	\$ 8,275
Utility fund	(65,205)	(70,550)	(5,345)
Total other financing (uses)	<u>\$ (263,205)</u>	<u>\$ (260,275)</u>	<u>\$ 2,930</u>
Excess (deficiency) of revenues over expenditures and other uses	\$ 185	\$ (2,239)	\$ (2,424)
Fund balance, beginning of year	<u>41,255</u>	<u>41,255</u>	<u>-</u>
Fund balance, end of year	<u>\$ 41,440</u>	<u>\$ 39,016</u>	<u>\$ (2,424)</u>

## ENTERPRISE FUND

Utility Fund - To account for the provisions of water and sewer services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financial and related debt service, and billing and collection.

TOWN OF MERRYVILLE  
ENTERPRISE FUND

## BALANCE SHEET

June 30, 2002

ASSETS

## Current assets:

Cash	\$ 12,275
Accounts receivable:	
Accounts	16,382
Total current assets	<u>\$ 28,657</u>

## Restricted assets:

Bond reserve, and contingency account	\$ 79,952
Customers' deposits	13,488
Total restricted assets	<u>\$ 93,440</u>

## Plant in service:

Property, plant, and equipment at cost, net of accumulated depreciation	<u>\$ 1,919,079</u>
Total assets	<u>\$ 2,041,176</u>

(Continued)

TOWN OF MERRYVILLE  
ENTERPRISE FUND

BALANCE SHEET

June 30, 2002

LIABILITIES AND FUND EQUITY

Liabilities:

Current liabilities (payable from current assets):

Accounts payable	\$ 4,933
Payroll taxes payable	522

Total current liabilities (payable from current assets)	\$ 5,455
---	----------

Current liabilities (payable from restricted assets):

Current portion of bonds	\$ 14,000
Accrued bond interest	16,705
Customers' deposits	12,282

Total current liabilities (payable from restricted assets)	\$ 42,987
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Long-term liabilities:

Bonds payable	\$ 362,375
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Total liabilities	\$ 410,817
-------------------	------------

Fund Equity:

Contributed capital - Federal and state grants	\$ 3,052,199
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Retained Earnings:

Reserved	\$ 50,453
Unreserved	(1,472,293)

Total fund equity	\$ 1,630,359
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Total liabilities and fund equity	\$ 2,041,176
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(Concluded)

TOWN OF MERRYVILLE  
ENTERPRISE FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS - PROPRIETARY FUND TYPE  
Year Ended June 30, 2002

Operating revenues:	
Charges for services	<u>\$ 183,676</u>
Operating expenses:	
Personal services	\$ 81,937
Supplies	29,477
Other services and charges	83,696
Heat, light and power	21,342
Depreciation	97,617
Total operating expenses	<u>\$ 314,069</u>
Operating loss	<u>\$ (130,393)</u>
Non-operating revenues (expenses):	
Interest income	\$ 1,019
Transfer from sales tax fund	70,550
Interest expense	(18,892)
Total non-operating revenues (expenses)	<u>\$ 52,677</u>
Net income	\$ (77,716)
Retained earnings, (deficit) beginning of year	<u>(1,344,124)</u>
Retained earnings, (deficit) end of year	<u>\$ (1,421,840)</u>

## TOWN OF MERRYVILLE

## SCHEDULE OF CASH FLOWS - PROPRIETARY FUND TYPE

For the Fiscal Year Ended June 30, 2002

Cash flows from operating activities:	
Cash received from customers	\$ 184,730
Cash payments to suppliers for goods and services	(140,842)
Cash payments for employee services and employee related fringe benefits	(81,838)
Net cash provided by operating activities	<u>\$ (37,950)</u>
Cash flows from noncapital financing activities:	
Transfers from other funds	\$ 70,550
Net cash provided for noncapital financing activities	<u>\$ 70,550</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (62,180)
Principal paid on bond maturities	(13,001)
Interest paid on bond maturities	(19,469)
Net cash used for capital and related financing activities	<u>\$ (94,650)</u>
Cash flows from investing activities:	
Interest on cash management activities	\$ 1,019
Net increase in cash and cash equivalents	\$ (61,031)
Cash and cash equivalents, beginning of year	<u>166,746</u>
Cash and cash equivalents, end of year	<u>\$ 105,715</u>

(Continued)

## TOWN OF MERRYVILLE

## SCHEDULE OF CASH FLOWS - PROPRIETARY FUND TYPE

For the Fiscal Year Ended June 30, 2002

RECONCILIATION OF OPERATING LOSS TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES

Operating loss	<u>\$ (130,393)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	\$ 97,617
Increase in accounts receivable	(259)
Increase in accounts payable	416
Increase in payroll taxes payable	99
Decrease in due from other funds	3,848
Increase in customer deposits	1,313
Decrease in due to other funds	(23,073)
Decrease in prepaid insurance	12,482
Total adjustments	<u>\$ 92,443</u>
Net cash provided by operating activities	<u>\$ (37,950)</u>

(Concluded)

## TOWN OF MERRYVILLE

## SCHEDULE OF GENERAL FIXED ASSETS

June 30, 2002

General fixed assets, at cost:	
Land	\$ 2,600
Buildings	141,626
Improvements	210,316
Equipment	<u>164,572</u>
Total general fixed assets	<u>\$ 519,114</u>

## TOWN OF MERRYVILLE

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS  
Year Ended June 30, 2002

	<u>Land</u>	<u>Buildings</u>	<u>Improve ments</u>	<u>Equipment</u>	<u>Total</u>
General fixed assets, beginning of year	\$ 2,600	\$ 105,939	\$ 210,316	\$ 149,185	\$ 468,040
Additions:					
Assets added	-	35,687	-	15,387	51,074
Deletions:					
Assets removed	-	-	-	-	-
General fixed assets, end of year	<u>\$ 2,600</u>	<u>\$ 141,626</u>	<u>\$ 210,316</u>	<u>\$ 164,572</u>	<u>\$ 519,114</u>

TOWN OF MERRYVILLE

SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS  
Year Ended June 30, 2002

<u>Board Members</u>	<u>Total Paid</u>
Beaver Knighton	\$ 1,300
Samuel Cole	1,300
Mickey Whitaker	1,300
Foy Rhodes	-
Clyde Kellogg, Sr.	1,300
	<u>\$ 5,200</u>

TOWN OF MERRYVILLE

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2002

Findings - Financial Statement Audit

**Compliance**

Audit Finding No. 1

Initial occurrence - June 30, 1999

Budget Variances

Finding:

The budget variances of expenditures and transfers in the general and special revenue funds were more than 5% at year end. This comment was included in the prior year end audit of June 30, 2000. In addition to the variances in the prior year comment, one special revenue fund had not been budgeted. The special revenue fund that was not budgeted in last year's audit was budgeted during the current year's financial statements; therefore, this comment was partially corrected this year.

Corrective action taken: Yes

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Foy W. Rhodes, Mayor  
and the Members of the Board of Aldermen  
Town of Merryville, Louisiana

I have audited the general purpose financial statements of the Town of Merryville, Louisiana, as of and for the year ended June 30, 2002, and have issued my report thereon dated September 13, 2002. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Town of Merryville, Louisiana's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered The Town of Merryville, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a

The Honorable Foy W. Rhodes, Mayor  
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timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, other within the organization, Board of Aldermen, the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

DeRidder, Louisiana  
September 13, 2002